

Message Text

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 2443

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H - PASS TO SEN, ERNEST F. HOLLINGS

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TAGS: BBSR, BTIO, SA

SUBJ: SUPERMARKET POTENTIAL IN SAUDI ARABIA

REF: HOLLINGS:AMBASSADOR TELECON OF 6/19/78

1. WE HAVE MADE PRELIMINARY INQUIRY IN REGARD TO POTENTIAL FOR SUPERMARKETS IN SAUDI ARABIA. YOU MAY PASS ON TO SENATOR SASSER FOR HIS CONSTITUENTS'S INFORMATION THE FOLLOWING:

2. THERE IS EXCELLENT POTENTIAL FOR AMERICAN STYLE SUPER-MARKETS IN SAUDI ARABIA. MOST OF THE MAJOR POPULATION CENTERS STILL HAVE SMALL STORE-FRONT OPERATIONS SELLING LIMITED QUANTITIES OF FOODSTUFFS, NOTIONS, ECT.

3. ONE OF THE CONSTRAINTS UPON AN OPERATION HERE IS THAT MOST OPERATIONS HAVE TO BE IN CONJUNCTION WITH A SAUDI PARTNER WHO GENERALLY OWNS FIFTY-ONE PERCENT OF THE STOCK. THIS IS NEGOTIABLE BUT OUR ADVICE TO ANY PROPECTIVE ENTRANT INTO THE RETAIL FIELD HERE IS TO HAVE A JOINT VENTURE PARTNER.

4. INITIAL EFFORTS TO ESTABLISH RETAIL MARKETS ALONG U.S. LINES BEGAN IN THE 1960S WITH THE OPEINING OF SUPER-MARKETS IN DHAHRAN AND JIDDA. ALL OF THE ORIGINAL ES-
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TABLISHMENTS HAVE BEEN EXPANDED AND THERE ARE A LIMITED NUMBER OF SUCH FIRMS SPECIALIZING IN FROZEN AND CAN FOODS AS WELL AS FRESH FRUITS AND VEGETABLES. THOSE THAT ARE WELL RUN, OFFER GOOD MERCHANDISE AND SEEM TO BE DOING WELL, ALTHOUGH PRICES ARE MERCHANDISE AND SEEM TO BE DOING WELL, ALTHOUGH PRICES ARE EXTREMELY HIGH BY U.S. STANDARDS (STEAK \$7.00 PER LB.) THERE ARE SEVERAL

PROJECTS WHICH ARE NOW IN PROGRESS OR BEING PLANNED. OUR OFFICE AT RIYADH REPORTED A JOINT VENTURE OPPORTUNITY FOR U.S. BUSINESS WITH A SAUDI FIRM, RUWAITE ESTABLISHMENT, P.O. BOX 1461, RIYADH, SAUDI ARABIA, TELEX 201767. RUWAITE SJ. THIS COMPANY PLANS A SHOPPING MALL WITH A LARGE SUPERMARKET AND ESTIMATES THE PROJECT TO COST \$12 MILLION. THE LOCAL FIRM HAS COMMITTED \$6 MILLION TO THE PROJECT BUT STATES MORE FUNDS ARE AVAILABLE IF THE RIGHT JOINT VENTURE OFFER IS RECEIVED.

5. IN THE PAST SIX MONTHS, DHAHRAN AND JIDDA HAVE ALSO SENT SUPERMARKET JOINT VENTURES OPPORTUNITY REPORTS WHICH ARE AVAILABLE FROM THE COMMERCE ACTION GROUP FOR THE NEAR EAST, U.S. DEPARTMENT OF COMMERCE, WASHINGTON, D.C. YOU OR SENATOR SASSER CAN OBTAIN THESE REPORTS DIRECTLY FROM COMMERCE.

6. IF YOU WILL FURNISH US THE SAME OF THE CONSTITUENT. WE WILL PUT IT ONE FILE IN THE EMBASSY ECONOMIC SECTION AND WILL NOTIFY HIM OF ANY SUBSEQUENT INQUIRIES.

7. IF SENATOR SASSER'S CONSTITUENT IS INTERESTED AFTER DIGESTING THIS INFORMATION, WE STRONGLY RECOMMEND A VISIT HERE. OUR EMBASSY WILL BE HAPPY TO ASSIST IN ARRANGEMENTS FOR THE VISIT. INCLUDING SETTING UP APPOINTMENTS WITH POSSIBLE JOINT VENTURE PARTNERS.
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